

Message Text

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51

ACTION EUR-25

INFO OCT-01 ADP-00 EURE-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-03 PRS-01 USIA-15 L-03 H-03 OC-06 CCO-00

RSR-01 /166 W

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FM AMEMBASSY PARIS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652:N/A

TAGS: EFIN, FR

SUBJECT: FRENCH EXCHANGE CONTROLS LOOSENEED

1. SUMMARY : EASING OF EXCHANGE RESTRICTIONS ON OUTGOING PAYMENTS ANNOUNCED AUGUST 9 BY FINANCE MINISTER GISCARD D'ESTAING. LOOSENING CONSISTS LARGELY OF RAISING ALLOWABLE LIMITS ON OUTGOING TOURIST EXPENDITURES, PRIVATE TRANSFERS AND COMMERCIAL TRANSACTIONS AND ALLOWING CERTAIN ADDITIONAL DOCUMENTED PAYMENTS IN THESE CATEGORIES, WHILE MAINTAINING CONTROL MECHANISMS IN PLACE. CONTROLS ON INWARD MOVEMENTS OF CAPITAL WILL BE MAINTAINED. END SUMMARY

2. IN ANNOUNCING LOOSENING OF EXCHANGE CONTROLS THE FINANCE MINISTER NOTED IT TOOK PLACE ON FOURTH ANNIVERSARY OF FRENCH DEVALUATION. NOW COMPLETE RESTORATION OF FRENCH PAYMENTS POSITION ALLOWED REMOVAL OF PRECAUTIONS. HE SAID THE PRESENT MONETARY SITUATION REQUIRED THE MAINTENANCE OF CONTROLS ON INWARD CAPITAL MOVEMENTS.

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3. CONTROL OF FOREIGN TOURIST EXPENSES OF FRENCH RESIDENTS

HAS BEEN SUBSTANTIALLY EASED. EXPENSES PAID IN ADVANCE OF TRAVEL, SUCH AS HOTEL RESERVATIONS AND TRANSPORTATION ARE NOW DE-CONTROLLED. THEY WERE FORMERLY INCLUDED IN THE TOTAL TOURIST ALLOCATION. THE ALLOWABLE TOURIST ALLOCATION IS NOW INCREASED FROM 3,500 FRANCS PER PERSON TO 5,000 PER PERSON. SUPPLEMENTAL AMOUNT FOR BUSINESS TRIPS IS RAISED FROM 400 FRANCS A DAY TO 500 FRANCS A DAY. CHARGES ON CREDIT CARDS, PREVIOUSLY INCLUDED IN THE TOTAL TOURIST ALLOCATION, MAY NOW BE USED IN ADDITION UP TO 1,000 FRANCS A WEEK.

4. CONTROLS ON THE EXCHANGE OF FRANCS FOR FOREIGN CURRENCY BY NON-RESIDENTS NOW EXEMPTED UP TO LIMIT OF 5,000 FRANCS VS 500 FRANCS. UNDER CONTINUING REGULATIONS NON-RESIDENT VISITORS CAN ONLY CONVERT BACK INTO FOREIGN CURRENCY AMOUNT OF FOREIGN CURRENCY CERTIFIED AS BEING BROUGHT INTO FRANCE. PROBLEM IS THAT ORIGINAL CERTIFICATIONS ARE NOT BEING MADE, EVEN WHEN REQUESTED. IF RULE IS ENFORCED, WHEN TRAVELER GOES TO EXCHANGE UNSPENT FRENCH FRANCS FOR FOREIGN CURRENCY ON LEAVING FRANCE, HE IS UNABLE TO EXCHANGE MORE THAN EXEMPT AMOUNT.

5. THE ALLOWABLE LIMITS OF VARIOUS TYPES OF PRIVATE TRANSFERS HAVE BEEN INCREASED SOMEWHAT, AND CERTAIN OTHER TYPES OF TRANSFERS MAY BE PAID WITHOUT LIMIT IF DOCUMENTED. MAXIMUM TRANSFER WITHOUT REQUIRED DOCUMENTATION IS INCREASED FROM 1,000 TO 1,500 FRANCS. MONTHLY PAYMENTS ALLOWABLE TO NEEDY RELATIVES OVERSEAS INCREASED FROM 1,000 FRANCS TO 1,500 FRANCS. PAYMENTS TO STUDENTS INCREASED TO 2,000 FRANCS PER MONTH FOR SINGLES AND 4,000 FRANCS PER COUPLES. DOCUMENTED FOREIGN HOUSEHOLD EXPENSES NOW ALLOWED WITHOUT LIMIT. PREVIOUS AMOUNT WAS 4,000 FRANCS A YEAR. SAVINGS TO FRENCH RESIDENTS WORKING ABROAD MAY NOW BE PAID WITHOUT AUTHORIZATION FROM THE BANK OF FRANCE. DOCUMENTED PURCHASES OF PERSONAL HOMES ABROAD MAY NOW BE MADE UP TO 300,000 FRANCS VS 150,000 FRANCS PREVIOUSLY. DOCUMENTED GIFTS AMONG A FAMILY ALLOWED UP TO 500,000 FRANCS VS 50,000 FRANCS. EMMIGRANTS MAY NOW WITHDRAW ALL DOCUMENTED EXPENSES FOR SETTING UP NEW HOUSEHOLD PLUS 20,000 FRANCS A PERSON. RESIDENTS MOVING ABROAD BECOMING NON-RESIDENTS MAY NOW WITHDRAW ALL FUNDS FROM FRANCE AFTER TWO YEARS.

6. EXCHANGE CONTROLS RELATING TO IMPORT AND EXPORT PAYMENTS AND USE OF FORWARD COVER HAVE BEEN LOOSENED SOMEWHAT. SIZE OF UNCLASSIFIED

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IMPORT AND EXPORT TRANSACTIONS NOT REQUIRING DETAILED MONITORING OF PAYMENTS BY BANK (DOMICILIATION BANCAIRE) INCREASED FROM 10,000 FRANCS TO 50,000 FRANCS. ACCESS TO FORWARD COVER FOR IMPORTS IS NOW ALLOWED FOR SERVICES AND ANY NEW TRANSACTION EXECUTED FOR A CONTRACT. PREVIOUSLY ONLY MERCHANDISE IMPORTS WERE COVERED. ON THE EXPORT SIDE ALL CONTRACTS ARE ALREADY ALLOWED COVER. NOW IN ADDITION EXPORTERS MAY BUY FORWARD COVER AGAINST OFFERS AND BID APPLICATION. THIS LAST ITEM HAS

SPECIFIC INTENT OF ENCOURAGING FRENCH EXPORTS.

7. DOCUMENTS BEING POUCHED SEPARATELY UNDER

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